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ATTACHMENT
September 1, 1954

AIRGRAM

FROM: USRO, Paris

TO: WASHINGTON POLTO A-120
VIENNA POLTO A-26
STOCKHOLM POLTO A-25
LONDON POLTO A-43
BONN POLTO A-29
ROME POLTO A-36

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EXCON

SUBJ: Swedish Government official's comments to Colonel Brown with respect to Security Trade Controls and conditions in Soviet Satellites.

Mr. Sven ALLARD, the Swedish Minister to Austria^{1/}, made the following comments to this officer during an "after-dinner" conversation at the Swedish Legation in Vienna on 27 August 1954:

1) That in his opinion (based on observations for a three-year period while minister to Czechoslovakia and Hungary) the embargo of strategic goods imposed by the Western countries had been extremely effective in slowing down the build-up of Soviet satellite production capacity for both military and civilian goods. The items which he believed caused the greatest difficulty in both Czechoslovakia and Hungary because of short supply were replacement parts for all types of machine tools, transportation equipment, and general industrial equipment as well as copper.

2) That the embargo of strategic items to China should be continued and that the list of items should be far more comprehensive than the list for the Soviet Union and its Eastern European satellites. He reasoned that if the Western countries could be prevailed upon to deny delivery of virtually all types of equipment and supplies, whether of a high or low strategic nature, the result would place such a heavy drain on the Soviet Union and its satellites that their production build-up program would be adversely affected.

3) That Hungary has not yet completed the construction and equipping of their new ball and roller bearing plant. He stated that this plant was still under construction at the time he left Budapest a few months ago and probably would not be capable of producing any large quantity before

^{1/} This officer has been acquainted with Mr. Allard since 1944, having met him while he was serving as Swedish Ambassador to China during World War II, is of the opinion that his reporting of facts is accurate, and that his experience in the Soviet Bloc and China should give considerable weight to his judgment.

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another year to 18 months. He mentioned that there was no other bearing capacity in Hungary except one plant which produced bicycle balls and bearings almost exclusively.^{2/}

4) Machine tool manufacturers in Hungary stated that all machinery ordered by the USSR from Hungarian production were required to be equipped with bearings imported from the West and that the use even of Russian manufactured bearings in this equipment was authorized only for machine tools used in Hungary.

5) Within the past year Mrs. Allard, while travelling between Prague and Budapest, conversed with a Bulgarian businessman. When he learned that she was Swedish he complained rather bitterly about the Swedish policy of denying ball bearings to his country saying that it had adversely affected their production program and maintenance of transportation facilities. Mrs. Allard observed that she had thought that Russia's much publicized, large production of ball and roller bearings should have been sufficient to supplant Swedish bearings in the Eastern countries. The Bulgarian replied that while it was true there was a sufficient supply of ball and roller bearings from Russia, unfortunately they were manufactured of such poorly tempered steel that they did not last longer than several months to a year in normal service.

^{2/}It is understood that when SKF first established their sales organization in Hungary an agreement was reached with the Government whereby the Hungarians were to refrain from establishing any bearing production facilities other than for bicycles. Up until very recently apparently no effort was made to establish a bona fide bearing factory. It is recalled that the late Mr. Harald Hamberg, head of SKF, Sweden, for two or three years prior to his death urged that small amounts of bearings be authorized for delivery to Hungary in order to prevent them from taking action toward self-sufficiency.

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